

Press Release

**Office of the Kansas Securities Commissioner
618 S. Kansas Avenue
Topeka, Kansas 66603-3804**

Date of Release: March 31, 2006

Delaware Woman Guilty in Securities Fraud Conspiracy in Johnson County

(Topeka, Kansas) – Kansas Securities Commissioner Chris Biggs announced today that Wilmington, Delaware resident Leslie Martin Arnold pleaded guilty in Johnson County District Court to three felony counts related to violations of the Kansas Securities Act. Arnold faces up to 37 months in prison, a fine of up to \$300,000 and restitution of up to \$44,000. Sentencing is scheduled for May 23, 2006. Arnold, 54, was convicted of one felony count each of conspiracy to commit securities fraud, conspiracy to sell unregistered securities and conspiracy to sell securities by an unregistered agent.

The felony convictions resulted from Arnold and her co-conspirators, Massachusetts insurance agent Peter Mahoney and Canadian banker Ronald Karoles, soliciting money from two Johnson County victims for investment in a prime bank scheme operated by the “Addison and York Group.” The investment scheme was fictitious and the money was used for the personal use and benefit of the defendant and her co-conspirators.

In May 2002, Peter Mahoney pleaded guilty to similar charges in both Johnson and Sedgwick counties. In September 2003, Ronald Karoles applied for and subsequently received diversion in Sedgwick County after paying back \$75,000 to two Wichita victims.

Operators of a “Prime Bank” scheme convince their victims to invest and pool their money to be able to participate in a level of trading normally reserved only for investors with huge sums of money. Victims are told that the returns from this exclusive level of trading are well beyond what the average investor could hope to earn.

Commissioner Biggs said, “Prime Bank investment schemes are always fraudulent.” Biggs added, “This case is one our staff worked for a long time to bring the scam artists to justice.”

The details of this case span several years, include multiple defendants, flight from prosecution to foreign countries and cooperation with other jurisdictions.

The investigation and prosecution of Arnold was done with the assistance and cooperation of Paul Morrison and the Office of the Johnson County Attorney.

End of Article

The Office of the Kansas Securities Commissioner is charged with administration and enforcement of the Kansas Securities Act under Chapter 17 of the Kansas Statutes. The Office investigates and prosecutes securities fraud, the offer or sale of unregistered securities and the offer or sale of securities by unlicensed stockbrokers or investment advisers. For more information and investor education resources, visit <http://www.securities.state.ks.us>.